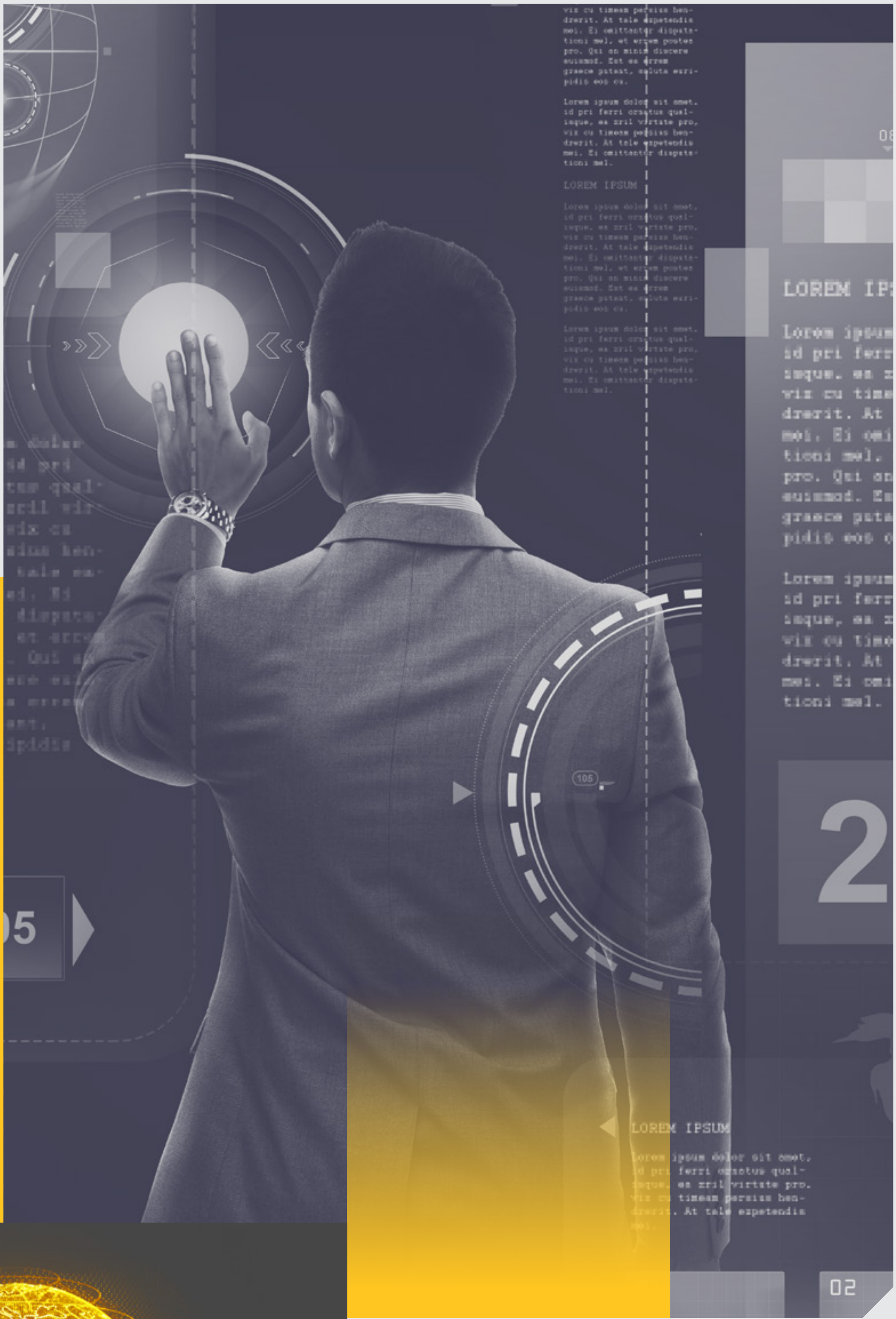

2020

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

SALIENT FEATURES	1
FINANCIAL REVIEW	2
INDEPENDENT AUDITOR'S REPORT	7
SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9
SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS	11
NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS	12
ADMINISTRATION	40

SALIENT FEATURES

Group gross written premium growth

7%

Conventional insurance gross written premium growth

5%

Conventional insurance net underwriting margin

2.5%

Economic capital coverage ratio

161%

Return on shareholders' funds

8.0%

Earnings per share decreased

75%

Headline earnings per share decreased

47%

No final dividend declared

FINANCIAL REVIEW

The Santam group reported acceptable operating results under very difficult economic circumstances, despite the negative impact of COVID-19. Contingent business interruption (CBI) claims following the national lockdown impacted the underwriting results. Gross written premium growth was also adversely affected by the economic consequences of the strict measures put in place by government to control the spread of COVID-19.

The already weak operating environment in South Africa deteriorated substantially during 2020, resulting in negative economic growth of an estimated 7% as well as significant volatility in equity, interest rate and currency markets.

Despite the challenging economic environment, the group's conventional insurance book achieved gross written premium growth of 5%. A net underwriting margin of 2.5% (2019: 7.7%) of net earned premiums was reported, below the group's target range of 4% to 8%. The alternative risk transfer (ART) business reported strong operating results of R165 million (2019: R171 million). The net insurance result from Sanlam Emerging Markets (SEM) general insurance businesses declined mainly due to lower investment returns on insurance funds in North and West Africa and the impact of the Lebanon port facility explosion on Saham Re.

Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R1 027 million (2019: R1 396 million). The lower interest rate environment and fair value losses on financial assets were the key contributor to the weaker performance. Foreign currency gains of R60 million were recognised in 2020, compared to a foreign currency loss of R79 million in 2019.

Equity-accounted losses from associates amounted to R595 million (2019: loss of R42 million) and were negatively impacted by lower investment returns on insurance funds from Saham and Santam's share of an impairment of Saham assets of R656 million recorded by SAN JV, the investment holding company of Saham.

Cash generated from operations was in line with the prior year at R5.9 billion (2019: R5.8 billion).

Headline earnings decreased to 1 100 cps compared to 2 069 cps in 2019. Lower operating results and reduced investment income attributable to shareholders contributed to the decrease.

A return on capital (ROC) of 8% was achieved, below the ROC target of 24% for 2020. The ROC was impacted by the lower insurance and investment results, as well as the Saham impairment. The economic capital coverage ratio at 31 December 2020 was 161% (2019: 160%).

CONVENTIONAL INSURANCE

The conventional insurance business reported a net underwriting margin of 2.5% compared to 7.7% in 2019. CBI claims and provisions of R3 billion negatively impacted the underwriting results in the current period. This was offset to some extent by a benign claims environment which impacted positively on the motor book.

Gross written premium growth

Conventional insurance reported growth of 5%, despite the severely constrained economic climate.

The Santam Commercial and Personal intermediated business reported marginally negative growth for the period following lower new business acquisition, exacerbated by the impact of COVID-19, as well as premium support provided to ease financial pressure on policyholders during the period of hard lockdown. Business retention rates were better than expected in the difficult economic environment.

The Santam Specialist business experienced continued strong growth in the corporate property, crop and engineering businesses. In contrast, the growth in the travel insurance, aviation, transport and marine businesses was negatively impacted by COVID-19.

MiWay achieved excellent growth of 7% in the current operating environment, despite R40 million of premium relief provided to policyholders.

Santam Re achieved strong growth in its third-party business, positively impacted by the weak rand.

Gross written premiums from outside South Africa written on the Santam Ltd and Santam Namibia Ltd licences grew by 28% to R4 963 million (2019: R3 866 million). Strong growth was achieved by the Santam Specialist business (corporate property and engineering) and Santam Re in Africa, Southeast Asia, India and the Middle East. The specialist Pan-African insurance business with Saham contributed gross written premium of more than R200 million. Weak economic conditions and COVID-19 negatively impacted Santam Namibia's performance.

The property class reported growth of 8% on the back of strong growth in the specialist property business offset partly by lower growth through the intermediated channel.

The motor class reported gross written premiums in line with 2019, despite premium relief support to policyholders during the lockdown in April and May 2020. The excellent growth achieved by MiWay and Santam Re was offset by a contraction of the motor business written by the Santam Commercial and Personal business. New motor products were introduced by Santam and MiWay to recognise reduced driving patterns.

Gross written premium growth of crop business benefited from Santam's strong market position, as well as increased hectares planted.

The engineering class benefited from strong growth from outside South Africa but was negatively impacted by lower premiums in this class written in Santam Re. The liability class continued to experience competitive pressure and focused on improved profitability, resulting in growth of 4% during the period. The accident and health class reported growth of 10%, with strong growth reported by Santam Re, partially offset by negative growth in the travel insurance business.

FINANCIAL REVIEW

Underwriting result

The loss ratio was adversely impacted by provisions for CBI claims, partly offset by a benign claims environment, with limited natural catastrophes and lower claims frequencies experienced over several insurance classes following the impact of the COVID-19 lockdown in South Africa.

Santam announced in January 2021 that it will commence the process of assessing and settling valid claims for policies with CBI extensions after obtaining legal certainty on the proximate cause of business interruption losses. The court judgements on cases in South Africa and the United Kingdom resolved that there is cover for business interruption losses caused by COVID-19 itself and the government response through the national lockdown and related restrictions, provided that there was an occurrence of COVID-19 within the designated radius of the insured premises.

In the case between Santam and Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd (the Ma-Afrika judgment) the Western Cape High Court found that the indemnity period that applies to CBI claims should be based on the standard physical damage business interruption indemnity period and not the indemnity period that applies to business interruption extensions covering contagious and infectious diseases. Santam's view is that the indemnity period is limited to three months. Santam has been granted leave to appeal the Ma-Afrika judgment with respect to the length of the indemnity period to the Supreme Court of Appeal. In February 2021, Santam commenced with interim payments to affected policyholders based on the three-month indemnity period.

The potential outcome of the appeal against the Ma-Afrika judgment relating to the indemnity period and the extent of Santam's reinsurance recoveries may still impact Santam's assessment of the estimated net CBI claims. In addition, the inherent complexity of business interruption claims, as well as bespoke policy wordings for corporate clients, require significant assumptions to be applied to determine the best estimate CBI claims provisions. These factors could result in significantly higher or lower actual claims.

In August 2020, Santam paid R1 billion interim relief to small and medium-sized businesses in hospitality, leisure and non-essential retail services that have policies with CBI cover. The amounts paid as part of the relief to the insured businesses will be offset against valid claims arising from the assessment process.

The motor class reported strong underwriting performance in the intermediated and direct distribution channels. The motor loss ratio benefited from a benign claims environment with the hard lockdown reducing claims activity in April and May 2020. Following the relaxing of lockdown regulations from 1 June 2020, the claims frequency started to increase, but remained below expected levels for most of the year, returning to normal in November and December 2020 when lockdown restrictions were reduced. Total premium relief of R310 million was provided to motor policyholders in recognition of reduced travelling during the lockdown period. MiWay reported excellent underwriting results for the year, with a loss ratio of 50.6% (2019: 54.2%) and an underwriting profit of R486 million (2019: R393 million).

The property class also benefited from the benign claims environment experienced during 2020. This was, however, offset by the CBI claims resulting in a loss of R2 410 million (2019: profit of R212 million).

The travel insurance business, included in the accident and health class of business, was negatively impacted by the COVID-19 pandemic.

The engineering and crop insurance classes continued to deliver excellent underwriting results. The liability class recovered strongly during the second half of 2020, following adverse reserve developments on a few long-outstanding claims in the first half of the year.

A net acquisition cost ratio of 29.3% was achieved compared to 30.2% in 2019. The net commission ratio was 12.7% (2019:12.5%).

The management expense ratio of 16.6% was lower than the 17.7% in 2019 on the back of cost containment efforts. A decrease in variable incentive cost and COVID-19 related savings was partly offset by a further provision raised in the first half of the year of R54 million to account for the liquidity concerns at a third-party premium-collection agency that went into voluntary curatorship in September 2018.

Strategic project costs, included as part of management expenses, amounted to 1.4% (2019: 1%) of net earned premium. These costs relate to the development of a new claims platform, the IFRS 17 accounting standards implementation project, data enhancements and digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 2.1% (2019: 2.4%) of net earned premium was negatively impacted by the lower interest rate environment.

ALTERNATIVE RISK TRANSFER (ART) BUSINESS

The ART business reported operating results of R165 million (2019: R171 million). Income from clients increased to R385 million (2019: R331 million), supported by satisfactory fee income growth in Centriq and improved investment margins achieved. Underwriting results were negatively impacted by COVID-19-related claims.

SEM GENERAL INSURANCE BUSINESSES INCLUDING SAHAM

Gross written premium growth

The markets where SEM operates were also subject to the negative growth impact of COVID-19.

The Saham portion of the SEM general insurance portfolio achieved 9.4% growth in gross written premiums in rand terms (negative growth of 4.5% in constant currencies). The general insurance business in Morocco reported an overall decrease in net earned premium in constant currencies, mainly due to negative growth in the motor portfolio.

Shriram General Insurance Company Ltd (SGI) experienced 1.5% growth in gross written premium in rand terms (negative 6.1% growth in constant currencies).

Net insurance result

Santam's share of the general insurance net insurance results from the SEM businesses reduced by 23.0%.

Good progress has been made in improving the underwriting performance of the Saham general insurance portfolio. The overall underwriting margin for Saham improved to 7.3% (6.9% excluding Lebanon) compared to 2.0% in 2019 (1.9% excluding Lebanon) of net earned premiums.

Morocco achieved a satisfactory underwriting margin of 7.9% due to lower claims ratios on motor and health business. Angola's performance improved over the year driven by increasing volumes, an improvement in the motor loss ratio and rate reviews in the health business. This was, however, partially offset by further devaluation of the kwanza. Saham Re, and to a lesser extent, Continental Re's underwriting margin was suppressed by the Beirut port facility explosion. Continental Re also experienced some large claims in the last two months of the year.

The net underwriting margin of all the SEM general insurance businesses (including Saham) in Africa improved to 6.1% (7.2% excluding the impact of the Beirut port facility explosion) (2019: 2.0%), well within the 5% to 9% target range.

Investment return on insurance funds amounted to 3.0% on the Saham portfolio compared to 11.8% in 2019, outside of the target range of 6% to 9% of net earned premiums. This was mainly attributable to lower returns in Morocco and negative returns in Côte d'Ivoire. Management has reviewed the composition of the investment portfolio in the context of long-term value creation, local capital requirements and its risk appetite. The future asset allocation strategy will support an above hurdle return on capital at a lower level of expected volatility. Given the current market values and economic climate, the implementation of the strategy is expected to be phased in over time as and when opportunities present themselves.

SGI's net underwriting margin declined to 6.7% of net earned premiums compared to the high base of 19.3% in 2019, which included one-off reserve releases in respect of third-party pool business. The investment return on insurance funds of 24.6% (2019: 28.8%) was only slightly lower, following the impact of COVID-19 market conditions.

INVESTMENT RESULTS

Santam's listed equity portfolio achieved a return of 2.1% for the year ended 31 December 2020, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX) which delivered a return of 1.8%.

On 6 August 2020, the group entered into a zero-cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the volatile market conditions. The structure was rolled on 3 November 2020, realising a profit of R50 million. The structure provided full downside protection from the market level at 3 November 2020. As at 31 December 2020, the structure's valuation amounted to a loss of R77 million. The structure expired on 3 February 2021 and was rolled for a further three-month period.

The Santam group's interest-earning investments are managed in enhanced cash and active income portfolios. The interest portfolios delivered good results and exceeded their STeFI-related benchmarks.

Foreign currency gains of R60 million (2019: foreign currency losses of R79 million) were recorded. This included foreign currency gains of R17 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (2019: R82 million foreign currency losses).

A foreign currency collar on R500 million worth of exposure, which was entered into on 19 August 2019 at a spot rate of 15.25 against the US dollar, matured on 19 May 2020, realising a loss of R54 million. No further foreign currency collars were entered into during the year.

Net losses on financial assets and liabilities of R113 million (2019: net gains of R45 million) include fair value losses on local and foreign bonds and property exposure in the fixed income portfolios as well as the fair value movement on derivatives. Positive fair value movements (excluding the impact of currency movements) of R17 million (2019: R393 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the investment performance.

Net losses from associated companies of R595 million included an impairment of intangible assets of R656 million from Saham (held through SAN JV).

The carrying value of Saham was adversely affected during the first half of 2020 by the downturn in financial markets and deteriorating economic conditions following COVID-19 in the territories where Saham operates.

However, foreign currency translation gains of R209 million in respect of the Saham investment, which are recognised directly against equity, limited the overall reduction in the Saham carrying value to approximately R447 million. The carrying value of Saham at 31 December 2020 was R1 823 million.

CAPITAL

On 25 November 2020, the group successfully raised a further R1 billion of subordinated debt in order to maintain a debt to equity ratio of between 25% to 30%. The proceeds from this issue will be partly used to replace existing subordinated debt of R500 million, that will become callable in April 2021.

The group economic capital requirement at 31 December 2020, based on the internal model, amounted to R7.4 billion (2019: R7.3 billion). This equates to an economic capital coverage ratio of 161% (2019: 160%), slightly above the midpoint of the capital target range of 150% to 170%. The economic capital coverage ratio already includes the anticipated redemption of R500 million subordinated debt in April 2021.

The group is comfortable to operate at the lower end of this range and remains committed to efficient capital management.

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. Several COVID-19 claims scenarios were included in the current review cycle. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

PROSPECTS

Trading conditions in South Africa and globally remain very competitive in a constrained economic growth environment. Annual inflation (CPI)of 3.3% remains at historically low levels. The South African rand depreciated by 5% against the US dollar during 2020 and foreign currency fluctuations are expected to continue. The outlook for real GDP growth in 2021 was dampened with the recent second wave of COVID-19 infections.

It is therefore expected that economic activity will, in the short to medium term, be significantly constrained by weak consumer spending due to the impact of COVID-19, as well as the likelihood of further load shedding by Eskom.

The impact of COVID-19 is also evident in the response of the reinsurance market, with increased renewal rates and reduced capacity.

Investment markets are likely to remain uncertain and volatile. The lower interest rate environment will negatively impact investment performance while the non-rand-denominated investments increase foreign currency volatility for the group.

Despite these economic challenges, we are forging ahead with our FutureFit strategy, having completed the reassessment of its appropriateness during the first half of 2020. As a diversified group we are well positioned to capitalise on opportunities in the current environment. Changing client needs and behaviours continue to disrupt traditional business models and accelerate digitisation. Building technology as an enabler and driver of efficiency and innovation remains a core pillar of our future strategy. Partnerships with industry innovators enable us to meet future client needs.

Extending our leadership position in South Africa and building a specialist Pan-African insurance business with SEM remain priorities. Our relationship with intermediaries is a key focus as well as alignment and collaboration with Sanlam's distribution channels.

We will continue to focus on improving service to clients and intermediaries, to enable the delivery of our brand promise, ***Insurance Good and Proper***. Santam has put in place processes to ensure the expedited settlement of CBI claims.

Driving efficiencies in management expenses is and will remain of utmost importance in the expected low-growth economy.

The group continues to prioritise and focus on its transformation priorities. Santam maintained a level 1 BBBEE status and will continue to promote transformation to the benefit of the economy at both a Santam and an industry level.

EVENTS AFTER THE REPORTING PERIOD

The equity collar over equities to the value of R1 billion to provide capital protection entered into by the group on 3 November 2020 matured on 3 February 2021. The final loss on the contract was R142 million (R77m of the loss was recognised at 31 December 2020). On 3 February 2021, the group rolled the collar structure. The structure offers almost full downside protection from the implementation level 11 857 and expires on 3 May 2021. The equity collar reduces balance sheet volatility in a time of underwriting performance uncertainty because of CBI claims.

On 22 February 2021, Santam's application for leave to appeal the length of the indemnity period in the Ma-Afrika judgment was granted by the Western Cape High Court.

On 24 February 2021, the Minister of Finance announced that the South African corporate tax rate will decrease from 28% to 27% effective on 1 April 2022. The group does not expect this change to have a material impact on the statement of financial position as at 31 December 2020.

There have been no other material changes in the affairs or financial position of the group since the statement of financial position date.

APPRECIATION

The board would like to extend its gratitude to Santam's management, employees, intermediaries and other business partners for their efforts and contributions during 2020.

PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

The preparation of the audited annual financial statements was supervised by the chief financial officer of Santam Ltd, Hennie Nel CA(SA).

VP Khanyile	**L Lambrechts**
Chairman	*Chief executive officer*

3 March 2021

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LIMITED

Opinion

The summary consolidated financial statements of Santam Limited, contained in the accompanying preliminary report, which comprise the summary consolidated statement of financial position as at 31 December 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Limited for the year ended 31 December 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 3 March 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Chantel van den Heever
Registered Auditor
Cape Town

3 March 2021

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
ASSETS			
Intangible assets		**968**	948
Property and equipment		**760**	984
Investment in associates and joint ventures		**2 205**	2 661
Strategic investment - unquoted SEM target shares	**7**	**1 538**	1 474
Deferred income tax		**102**	107
Deposit with cell owners		**161**	180
Cell owners' and policyholders' interest		**14**	26
Financial assets at fair value through income	**7**	**29 394**	24 411
Reinsurance assets	**8**	**8 946**	6 821
Deferred acquisition costs		**839**	727
Loans and receivables including insurance receivables	**7**	**6 855**	6 237
Current income tax assets		**15**	16
Cash and cash equivalents		**4 383**	4 642
Total assets		**56 180**	49 234
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**103**	103
Treasury shares		**(527)**	(482)
Other reserves		**(196)**	(405)
Distributable reserves		**9 976**	10 326
		9 356	9 542
Non-controlling interest		**736**	521
Total equity		**10 092**	10 063
LIABILITIES			
Deferred income tax		**104**	78
Cell owners' and policyholders' interest		**4 238**	3 964
Reinsurance liability relating to cell owners		**161**	180
Financial liabilities at fair value through income			
Debt securities	**7**	**3 089**	2 080
Investment contracts	**7**	**1 838**	1 618
Derivatives	**7**	**80**	-
Lease liabilities		**782**	978
Financial liabilities at amortised cost			
Repo liability		**867**	785
Collateral guarantee contracts		**128**	120
Insurance liabilities	**8**	**28 871**	23 207
Deferred reinsurance acquisition revenue		**517**	489
Provisions for other liabilities and charges		**153**	123
Trade and other payables including insurance payables	**7**	**5 089**	5 280
Current income tax liabilities		**171**	269
Total liabilities		**46 088**	39 171
Total shareholders' equity and liabilities		**56 180**	49 234

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2020 R million	Audited Year ended 31 December 2019 R million	Change
Gross written premium		**38 273**	35 852	7%
Less: reinsurance written premium		**12 756**	10 720	
Net written premium		**25 517**	25 132	2%
Less: change in unearned premium				
Gross amount		**1 549**	1 494	
Reinsurers' share		**(693)**	(588)	
Net insurance premium revenue		**24 661**	24 226	2%
Interest income on amortised cost instruments	9	**185**	186	
Interest income on fair value through income instruments	9	**1 435**	1 580	
Other investment income	9	**398**	288	
Income from reinsurance contracts ceded		**2 089**	1 995	
Net (losses)/gains on financial assets and liabilities at fair value through income	9	**(273)**	321	
Other income		**347**	271	
Net income		**28 842**	28 867	(0%)
Insurance claims and loss adjustment expenses		**25 205**	19 894	
Insurance claims and loss adjustment expenses recovered from reinsurers		**(8 435)**	(4 813)	
Net insurance benefits and claims		**16 770**	15 081	11%
Expenses for the acquisition of insurance contracts		**5 124**	4 878	
Expenses for marketing and administration		**4 449**	4 536	
Expenses for investment-related activities		**66**	70	
Amortisation of intangible assets		**70**	79	
Investment return allocated to cell owners and structured insurance products		**418**	614	
Total expenses		**26 897**	25 258	6%
Results of operating activities		**1 945**	3 609	(46%)
Finance costs		**(318)**	(368)	
Net loss from associates and joint ventures		**(595)**	(42)	
Impairment of associates and joint ventures		**(15)**	(4)	
Income tax recovered from cell owners and structured insurance products	10	**429**	280	
Profit before tax		**1 446**	3 475	(58%)
Tax expense allocated to shareholders	10	**(371)**	(874)	
Tax expense allocated to cell owners and structured insurance products		**(429)**	(280)	
Total tax expense		**(800)**	(1 154)	(31%)
Profit for the year		**646**	2 321	(72%)
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Share of associates' currency translation differences		**209**	(315)	
Total comprehensive income for the year		**855**	2 006	(57%)
Profit attributable to:				
– equity holders of the company		**542**	2 199	(75%)
– non-controlling interest		**104**	122	(15%)
		646	2 321	
Total comprehensive income attributable to:				
– equity holders of the company		**751**	1 884	(60%)
– non-controlling interest		**104**	122	(15%)
		855	2 006	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		**491**	1 990	(75%)
Diluted earnings per share		**489**	1 978	(75%)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
Balance as at 1 January 2019	**103**	**(467)**	**(90)**	**9 311**	**8 857**	**508**	**9 365**
Profit for the year	–	–	–	2 199	**2 199**	122	**2 321**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	(315)	–	**(315)**	–	**(315)**
Total comprehensive income for the year ended 31 December 2019	–	–	**(315)**	**2 199**	**1 884**	122	**2 006**
Issue of treasury shares in terms of share option schemes	–	91	–	(91)	**–**	–	**–**
Purchase of treasury shares	–	(106)	–	–	**(106)**	–	**(106)**
Share-based payment costs	–	–	–	85	**85**	–	**85**
Share of associates' other movements in retained earnings	–	–	–	(7)	**(7)**	–	**(7)**
Dividends paid	–	–	–	(1 171)	**(1 171)**	(109)	**(1 280)**
Balance as at 31 December 2019	**103**	**(482)**	**(405)**	**10 326**	**9 542**	**521**	**10 063**
Profit for the year	–	–	–	542	**542**	**104**	**646**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	209	–	**209**	–	**209**
Total comprehensive income for the year ended 31 December 2020	**–**	**–**	**209**	**542**	**751**	**104**	**855**
Issue of treasury shares in terms of share option schemes	–	110	–	(110)	**–**	–	**–**
Purchase of treasury shares	–	(155)	–	–	**(155)**	–	**(155)**
Share-based payment costs	–	–	–	80	**80**	–	**80**
Share of associates' other movements in retained earnings	–	–	–	(5)	**(5)**	–	**(5)**
Non-controlling interest acquired	–	–	–	(64)	**(64)**	(5)	**(69)**
Equity interest issued in cell captive[1]	–	–	–	–	**–**	166	**166**
Dividends paid	–	–	–	(793)	**(793)**	(50)	**(843)**
Balance as at 31 December 2020	**103**	**(527)**	**(196)**	**9 976**	**9 356**	**736**	**10 092**

[1] *A subsidiary of the group issued an equity interest in cell captives during the year relating to amended cell share agreements entered into with cell shareholders. The amendment resulted in the initial contracts being derecognised and the new contracts classified as equity. According to the amended contracts, the group has sole discretion on payment of dividends and redemption of the cell share capital. As the group has an unconditional right to avoid payment of remaining capital and accrued profits in the cell, the shares issued are now classified as equity compared to being classified as a liability before.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2020 R million	Audited Year ended 31 December 2019 R million
Cash flows from operating activities			
Cash generated from operations		**5 948**	5 831
Interest paid		**(326)**	(339)
Income tax paid		**(437)**	(955)
Acquisition of financial assets		**(29 373)**	(24 169)
Proceeds from sale of financial assets		**25 315**	22 529
Net cash from operating activities		**1 127**	2 897
Cash flows from investing activities			
Acquisition of financial assets		**(1 862)**	(913)
Proceeds from sale of financial assets		**690**	958
Acquisition of subsidiaries, net of cash acquired	**11**	**(4)**	(48)
Purchases of equipment		**(65)**	(53)
Purchases of intangible assets		**(81)**	(67)
Capitalisation of associates	**11**	**–**	(158)
Net cash used in investing activities		**(1 322)**	(281)
Cash flows from financing activities			
Purchase of treasury shares		**(155)**	(106)
Purchase of non-controlling interest in subsidiary		**(69)**	–
Proceeds from issue of unsecured subordinated callable notes		**1 000**	–
Dividends paid to company's shareholders		**(793)**	(1 171)
Dividends paid to non-controlling interest		**(50)**	(109)
Payment of principal element of lease liabilities		**(141)**	(173)
Net cash used in financing activities		**(208)**	(1 559)
Net (decrease)/increase in cash and cash equivalents		**(403)**	1 057
Cash and cash equivalents at beginning of year		**4 642**	3 618
Exchange gains/(losses) on cash and cash equivalents		**144**	(33)
Cash and cash equivalents at end of year		**4 383**	4 642

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The summary consolidated financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the group's ongoing commitments for the next 12 months and beyond. The board's review included the group's strategic plans and updated financial forecasts including capital position, liquidity, credit facilities and investment portfolio.

In the context of the current challenging environment a range of downside scenarios have been considered. These included scenarios which reflected:

- COVID-19-related claims;
- ongoing impact of COVID-19, including lower economic activity, suppressed spending, business confidence, market volatility and multiple future waves.

In addition a stress test exercise has been undertaken to consider the impact on the group's capital position including the following one-off type events: severe COVID-19-related claims, including adverse outcomes of legal cases relating to business interruption claims, adverse catastrophe experience and severe and sudden financial market movements. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the group's target range.

As a result, the board believes that the group is well placed to meet future capital requirements and liquidity demands. Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the group to remain a going concern for at least the next 12 months, from the date of the approval of the summary consolidated financial statements.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for those referred to below:

Standards effective in 2020

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2020:

- Amendments to IFRS 3 – *Business Combinations*
- Amendments to IFRS 7 – *Financial Instruments: Disclosures*
- Amendments to IFRS 9 – *Financial Instruments*
- Amendments to IAS 1 – *Presentation of Financial Statements*
- Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*

No material impact on the summary consolidated financial statements, resulting from the adoption of these amendments made to IFRS, was identified.

Standards not yet effective in 2020

The group did not early adopt any of the IFRS standards. Of the standards that are not yet effective, management expects IFRS 17 to have a future impact on the group.

IFRS 17 INSURANCE CONTRACTS

The IASB issued IFRS 17 Insurance Contracts in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17, including the amendments, has been deferred by two years to annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively.

In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model (general measurement model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach applicable mainly for short-duration contracts.

The main features of the general model for insurance contracts are that the profitability groups of contracts identified:

- be measured at the present value of future cash flows incorporating an explicit risk adjustment and remeasured every reporting period (the fulfilment cash flows);
- a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts, is recognised in profit or loss over the service period (coverage period).

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and the liability for incurred claims (fulfilment cash flows related to past service).

Where the requirements are met to measure a group of insurance contracts using the premium allocation approach, the liability for remaining coverage corresponds to premiums received at initial recognition less acquisition costs. However, the general model remains applicable for the measurement of incurred claims.

2. ACCOUNTING POLICIES (continued)

Standards not yet effective in 2020 (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Based on the group's analysis of insurance policies issued, the group predominantly writes short-term contracts, therefore the premium allocation approach will be applied to the bulk of the insurance book.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard also requires that losses are recognised earlier on contracts that are expected to be onerous. Based on the group's analysis to date we do not expect a significant impact on the financial results due to onerous contracts.

The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting, but has a pervasive impact across the group's operating model. Due to the fundamental changes required by the standard, and to ensure successful implementation, an IFRS 17 project team was established. Within the project team are further sub-teams including: data acquisition, data integration, IFRS 17 valuation, general ledger, consolidation and reporting integration. In addition, during 2020 the project commenced with the documentation of the future financial processes. During 2021 there will also be a significant focus on the group's new information management target operating model.

The group's audit committee and an IFRS 17 steering committee provide oversight and governance over the project. The steering committee is comprised of senior management from various functions including: finance, risk, information technology, operations and group internal audit.

Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be consistently implemented throughout the group. The project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments and, where applicable, will align the policy and methodology papers accordingly.

Development of systems to implement IFRS 17 for the group's gross and inward reinsurance business is in progress and the work on outward reinsurance business has commenced. The transition methodology and financial impact assessment will be a key focus area during 2021. It is expected that due to the short contract boundaries for the majority of the insurance book a fully retrospective approach will be applied with limited application of the modified retrospective approach for contracts with longer contract boundaries. Parallel run testing of the IFRS 17 solution is scheduled to take place in 2022.

Further focus areas for 2021 include an evaluation of future management reporting and key performance indicators, the treatment of related party transactions, business training initiatives and designing the required solution controls.

Once IFRS 17 internal development has been completed, there will be greater clarity on the impact of the standard on the results. The impact of the change on the group's solvency position is expected to be limited.

3. ESTIMATES

The preparation of summary consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2020. There have been no changes since 31 December 2019, except as indicated below.

In 2020, the COVID-19 global pandemic has had a significant impact on market conditions and the group's business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. Where an estimate has been made in response to COVID-19, additional disclosure has been provided in the relevant note to provide context to the figures presented:

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the claim events that have occurred that are expected to give rise to claims by the end of the reporting period but remain unsettled have been adjusted for the potential impact of COVID-19. This includes frequency, severity and development pattern assumptions. Refer to note 8 for additional information.
- Measurement and impairment of goodwill and associates: key assumptions applied in the valuation of the recoverable amount have been adjusted, and the estimation of useful economic life has been reviewed, to reflect the potential impact of COVID-19. Refer to note 14 for additional information.

4. COVID-19 IMPACT

Premium relief

Premium relief of R310 million was granted to policyholders in the form of discounts and premium holidays. It is accounted for as a decrease in gross written premium in the period in which the relief is formally communicated to the individual policyholders.

Contingent business interruption (CBI) claims

The company has raised a net technical provision of R2 billion at 31 December 2020 as a best estimate of its net exposure in relation to policies with contagious and infectious disease CBI extensions. The provision raised is in addition to the R1 billion of interim relief payments made in August 2020, which will be offset against valid claims arising from the assessment process.

Following the Supreme Court of Appeal (SCA) ruling on Guardrisk's Café Chameleon case and the ruling of the UK Supreme Court in the FCA test case matter, legal certainty has been achieved with regards to policy response. It was confirmed that commercial policy wordings with the relevant extension will provide cover for business interruption losses caused by the COVID-19 pandemic in general, and the government response to it, provided that there was an occurrence of COVID-19 within the designated radius of the insured premises.

A recent judgment by the Western Cape High Court, with regards to a specific policy (Ma-Afrika) written by the company's Hospitality and Leisure Division (H&L), ruled that the indemnity period that applies to CBI claims should be based on the standard physical damage business interruption indemnity period and not the indemnity period that applies to business interruption extensions covering contagious and infectious diseases. Santam's view is that the indemnity period is limited to three months and will contest this ruling at the Supreme Court of Appeal. This matter only relates to H&L clients, which make up less than a third of total policies with CBI extensions.

In determining the appropriate level of provisions, the company has considered the underlying exposure, the recent court judgments, the uncertainty with regards to the length of the indemnity period on specific H&L policies as well as the extent of the response to CBI claims by the company's reinsurance counterparties.

The potential outcome of an appeal against the Ma-Afrika judgment relating to the indemnity period and the extent of the company's reinsurance recoveries may still impact the company's assessment of the estimated net CBI claims. In addition, the inherent complexity of business interruption claims, as well as bespoke policy wordings for corporate clients, require significant assumptions to be applied to determine the best estimate CBI claims provisions. These factors could result in significantly higher or lower actual claims.

Impact on financial results

The underwriting results in the current period were impacted by the COVID-19 pandemic.

The motor class reported strong underwriting performance, benefiting from a benign claims environment with the hard lockdown reducing claims activity in April and May 2020. Total premium relief of R310 million was provided by MiWay and Santam Commercial and Personal Business to motor policyholders in recognition of reduced travelling during the lockdown period. Following the relaxing of lockdown regulations from 1 June 2020, claims frequency started to normalise, but was still lower than the prior year.

The property class also benefitted from reduced claims activity during the lockdown from April 2020. This was however offset by R1 billion of relief payments in August 2020, as well as a further technical provision for CBI claims of R2 billion at year-end.

Investment return on insurance funds and investment income on shareholders' funds were negatively impacted by the lower interest rate environment.

The group's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. A number of COVID-19 claims scenarios have been included in the current review cycle and it can be confirmed that both the group's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

Management has performed an assessment on the other financial statement line items and the impact of COVID-19 is immaterial.

5. RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency risk and derivatives risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, accumulation risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The summary consolidated financial statements do not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2020.

There have been no material changes to the risk management policies since 31 December 2019, except as indicated below.

The global outbreak of COVID-19 during the first half of 2020 has had a significant impact on market conditions and the insurance industry, and has triggered the need to consider the impact on the principal risks managed by the group. A detailed assessment of the risks faced specifically in relation to COVID-19 has, therefore, been undertaken. This includes risks we believe could threaten the group's business model, future performance, solvency or liquidity.

5. RISK MANAGEMENT (continued)

The group has implemented a robust governance framework charged with defining and ongoing management of the strategies designed to accelerate decision-making and mitigate the increased risk arising as a result of COVID-19 as far as possible. In response to COVID-19, key mitigants and controls have been considered and several key actions have been implemented to mitigate the additional risks that have been identified:

Key risks and exposures	Key mitigants and controls
Reserving risk	
There is a risk that the group's estimate of future claims payments is insufficient. COVID-19 has increased the risk of estimation uncertainty as the impact on future claims patterns such as frequency and severity are just emerging. The ongoing legal uncertainty relating to the indemnity period in policies with CBI extensions written by the H&L division of the company, and the extent of reinsurance recoveries, increases the risk of estimation uncertainty.	• Experienced actuaries responsible for estimation of the actuarial valuation of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost. • This has involved extensive discussion and interaction among the underwriting, claims and legal functions to understand the exposure and claims experience to date, and to confirm the legal position on cover. • Reserves were reviewed by the chief risk officer (CRO) and considered by the Executive Risk Forum attended by the chief executive officer (CEO), chief financial officer (CFO), CRO and chief underwriting officer, and the board, audit and risk committees. • Claims case reserves represent the best estimate of outstanding value and were reviewed by the CRO. • Legal counsel supports the group's view on CBI policy wording relating to the indemnity period for H&L policies. • Margins are held to be at least sufficient at the 75th percentile in accordance with group policy for uncertainties.
Underwriting and claims risk	
There is a risk that underwritten business is less profitable than planned due to insufficient pricing and settling of claims reserves.	• Additional monitoring procedures have been implemented to track COVID-19-related claims including frequency and changes in payment patterns. • A continuous process has been initiated by the commercial underwriting function to identify and assess potential COVID-19 underwriting impacts and take necessary actions. • Well-defined risk appetite statements, which are rigorously monitored at quarterly board risk committee meetings, with remediation action taken where deemed necessary. • Extensive control validation and assurance activities are performed over underwriting pricing and claims.
Market, credit and currency risk	
There is a risk to the group's insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and currency fluctuations. COVID-19 has generated increased levels of market volatility, in particular in late March 2020 increasing the risk of credit default and downgrade. Customers facing financial difficulty may not make premium payments.	• The group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity. Shareholder funds are invested in high-quality interest-bearing instruments, a listed equity portfolio and diversified strategic equity investments on the African continent, India and Malaysia. The group also entered into a zero cost collar to protect the value of the equity portfolio, refer to note 7.3. • The group matches its foreign currency liabilities and capital requirements with appropriate foreign currency assets. The impact of exchange-rate movements on the group's performance and capital position is closely monitored. When deemed necessary, the group implements foreign currency hedging structures in order to manage its financial exposure to exchange rate movements. • The group's investment strategy continues to be reviewed in light of COVID-19 developments and frequency of engagement with the group fund managers has been increased. • Increased credit risk monitoring is in place to proactively manage financial risk arising from potential default of policyholders on their premiums. • The group has provided payment relief to customers experiencing financial difficulty as a result of COVID-19.
Operational risk	
This risk relates to customers and/or reputational damage arising from operational failure such as information technology (IT) system failure. The operational environment as a result of government imposed lockdown measures has increased this risk with new ways of working and servicing the customer.	• Remote working across the group was enabled rapidly in a controlled manner, through distribution of IT equipment and home working control procedures to continue servicing the group's customers during lockdown. The return to office will be carefully planned to ensure operational impact is minimised and government guidelines are met. • IT services have been maintained across the group with infrastructure continuing to support the remote working environment. • Operational risk and resilience processes and procedures are in place, including incident management. • IT and data risks remain under close monitoring, especially cyber threat.

6. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

Insurance activities

The group presents its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group, consisting of Santam Commercial and Personal, Santam Specialist (niche business and agriculture), Santam re and MiWay;
- Alternative risk transfer (ART) insurance business written on the insurance licences of Centriq Insurance Group (Centriq) and Santam Structured Insurance (SSI); and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV (Saham).

Conventional insurance is further analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with operating result as measure of profitability.

Growth is measured for SEM General Insurance businesses based on the gross written premium generated by the underlying businesses. With regard to the SEM and Saham insurance business, this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associates and joint ventures. It is also included as reconciling items in order to reconcile to the consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV (Saham).

Insurance business denominated in foreign currencies is covered by foreign-denominated bank accounts and investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

Investment activities

Investment activities are all investment-related activities undertaken by the group. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income. Revenue is earned from the various investment portfolios managed in the form of interest, dividends and fair value gains or losses, as well income from associates and joint ventures that are not considered to be strategic investments.

All activities

Given the nature of the operations, there is no single external client that provides 10% or more of the group's revenues.

The Santam BEE transaction costs are unrelated to the core underwriting and investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and joint ventures and SEM target shares.

6. SEGMENT INFORMATION (continued)

6.1 Segment report

FOR THE YEAR ENDED 31 DECEMBER 2020 (AUDITED)

	Insurance							
Business activity	Conventional R million	Alternative risk transfer R million	Santam's share of SAN JV and other SEM businesses R million	Total R million	Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
Revenue	**31 098**	**7 175**	**2 968**	**41 241**	**637**	**41 878**	**(3 605)**	**38 273**
External	**30 821**	**7 175**	**2 968**	**40 964**	**637**	**41 601**	**(3 605)**	**37 996**
Intersegment[5]	**277**	**–**	**–**	**277**	**–**	**277**	**–**	**277**
Operating result before non-controlling interest and tax[1]	**1 118**	**165**	**381**	**1 664**	**–**	**1 664**	**(381)**	**1 283**
Reallocation of operating result	–	–	(381)	**(381)**	–	**(381)**	**381**	**–**
Investment income net of investment-related fees	–	462	32	**494**	523	**1 017**	**–**	**1 017**
Investment return allocated to cell owners and structured insurance products	–	(418)	–	**(418)**	–	**(418)**	**–**	**(418)**
Finance costs[2]	–	(44)	–	**(44)**	(190)	**(234)**	**–**	**(234)**
(Loss)/income from associates and joint ventures including impairment	–	–	(658)	**(658)**	48	**(610)**	**–**	**(610)**
Santam BEE costs	–	–	–	**–**	–	**–**	**(2)**	**(2)**
Amortisation and impairment of intangible assets[3]	(18)	(1)	–	**(19)**	–	**(19)**	**–**	**(19)**
Income tax recovered from cell owners and structured insurance products	–	429	–	**429**	–	**429**	**–**	**429**
Profit before tax	**1 100**	**593**	**(626)**	**1 067**	**381**	**1 448**	**(2)**	**1 446**

[1] *Includes depreciation of R213 million for Conventional and R11 million for ART.*

[2] *Finance costs relating to lease liabilities has been included in operating result.*

[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R6 million has been included in operating result.*

[4] *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*

[5] *Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.*

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019 (AUDITED)

	Insurance							
Business activity	**Conventional R million**	**Alternative risk transfer R million**	**Santam's share of SAN JV and other SEM businesses R million**	**Total R million**	**Investment R million**	**Total R million**	**Reconciling and unallocated[4] R million**	**IFRS total R million**
Revenue	**29 725**	**6 127**	**2 771**	**38 623**	**859**	**39 482**	**(3 630)**	**35 852**
External	29 487	6 127	2 771	**38 385**	859	**39 244**	(3 630)	**35 614**
Intersegment[5]	238	–	–	238	–	**238**	–	**238**
Operating result before non-controlling interest and tax[1]	**2 400**	**171**	**495**	**3 066**	**–**	**3 066**	**(495)**	**2 571**
Reallocation of operating result	–	–	(495)	**(495)**	–	**(495)**	495	**–**
Investment income net of investment-related fees	–	614	257	**871**	745	**1 616**	–	**1 616**
Investment return allocated to cell owners and structured insurance products	–	(614)	–	**(614)**	–	**(614)**	–	**(614)**
Finance costs[2]	–	–	–	**–**	(294)	**(294)**	–	**(294)**
(Loss)/income from associates and joint ventures including impairment	–	–	(89)	**(89)**	43	**(46)**	–	**(46)**
Santam BEE costs	–	–	–	**–**	–	**–**	(3)	**(3)**
Amortisation and impairment of intangible assets[3]	(34)	(1)	–	**(35)**	–	**(35)**	–	**(35)**
Income tax recovered from cell owners and structured insurance products	–	280	–	**280**	–	**280**	–	**280**
Profit before tax	**2 366**	**450**	**168**	**2 984**	**494**	**3 478**	**(3)**	**3 475**

1 *Includes depreciation of R208 million for Conventional and R15 million for ART.*

2 *Finance costs relating to lease liabilities has been included in operating result.*

3 *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R12 million has been included in operating result.*

4 *Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*

5 *Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.*

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	Audited Year ended 31 December 2020	**Audited Year ended 31 December 2019**
Revenue	**31 098**	29 725
Net earned premium	**24 320**	23 673
Net claims incurred	**16 593**	14 711
Net commission	**3 083**	2 950
Management expenses (excluding BEE costs)[1,2]	**4 029**	4 192
Net underwriting result	**615**	1 820
Investment return on insurance funds	**501**	579
Net insurance result	**1 116**	2 399
Other income	**106**	93
Other expenses	**(104)**	(92)
Operating result before non-controlling interest and tax	**1 118**	2 400

1 *Amortisation of computer software has been included in management expenses.*

2 *Finance costs relating to lease liabilities has been included in management expenses.*

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

The group's conventional insurance activities are spread over various classes of general insurance.

	Audited Year ended 31 December 2020		Audited Year ended 31 December 2019	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	**641**	**94**	585	24
Crop	**1 262**	**147**	886	(87)
Engineering	**1 651**	**433**	1 601	312
Guarantee	**117**	**(14)**	246	(58)
Liability	**1 362**	**149**	1 310	159
Miscellaneous	**38**	**(10)**	21	7
Motor	**13 430**	**2 100**	13 340	1 201
Property	**11 798**	**(2 410)**	10 974	212
Transportation	**799**	**126**	762	50
Total	**31 098**	**615**	29 725	1 820
Comprising:				
Commercial insurance	**18 215**	**(1 176)**	17 117	928
Personal insurance	**12 883**	**1 791**	12 608	892
Total	**31 098**	**615**	29 725	1 820

ADDITIONAL INFORMATION ON ALTERNATIVE RISK TRANSFER INSURANCE ACTIVITIES

The group's alternative risk insurance activities can be analysed as follows:

	31 December 2020 R million	31 December 2019 R million
Income from clients	**385**	331
Participation in underwriting results[1]	**34**	59
	419	390
Administration expenses	**(254)**	(219)
Operating result before non-controlling interest and tax	**165**	171

[1] *This relates to Centriq and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.*

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAHAM AND OTHER SEM BUSINESSES

	31 December 2020			31 December 2019		
	SEM R million	Saham R million	Total R million	SEM R million	Saham R million	Total R million
Revenue	**1 183**	**1 785**	**2 968**	1 140	1 631	2 771
Operating result before non-controlling interest and tax	**258**	**123**	**381**	319	176	495

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	31 December 2020 R million	31 December 2019 R million
Revenue	**1 183**	1 140
Net earned premium	**994**	879
Net claims incurred	**644**	510
Net acquisition cost	**301**	254
Net underwriting result	**49**	115
Investment return on insurance funds	**207**	204
Other income	**2**	–
Operating result before non-controlling interest and tax	**258**	319

[1] *This relates to Centriq Insurance and Santam Structured Insurance's selective participation in underwriting risk across the portfolios of traditional insurance business.*

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAHAM'S GENERAL AND REINSURANCE BUSINESS

	31 December 2020 R million	31 December 2019 R million
Revenue	**1 785**	1 631
Net earned premium	**1 258**	1 225
Net claims incurred	**757**	776
Net acquisition cost	**409**	425
Net underwriting result	**92**	24
Investment return on insurance funds	**37**	145
Other (expenses)/income*	**(6)**	7
Operating result before non-controlling interest and tax	**123**	176

* *Other (expenses)/income includes the net profit/loss for health, property and Elite lines of business.*

ADDITIONAL INFORMATION ON SAHAM (100%)

	Life business		General Insurance[1]		Consolidation and Other[2]		Saham Total	
	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million
Revenue								
Financial service income	**962**	1 229	**13 458**	14 085	**543**	283	**14 963**	15 597
Long-term insurance contracts	**884**	1 139	**–**	–	**–**	–	**884**	1 139
General insurance contracts	**–**	–	**12 577**	12 248	**–**	–	**12 577**	12 248
Investment return on insurance funds	**50**	70	**376**	1 454	**–**	–	**426**	1 524
Other	**28**	20	**505**	383	**543**	283	**1 076**	686
Sales remuneration	**(260)**	(212)	**(1 605)**	(1 617)	**–**	–	**(1 865)**	(1 829)
Underwriting policy benefits	**(259)**	(376)	**(7 579)**	(7 757)	**–**	–	**(7 838)**	(8 133)
Administration cost	**(440)**	(468)	**(3 035)**	(2 947)	**(609)**	(460)	**(4 084)**	(3 875)
Gross result from financial services	**3**	173	**1 239**	1 764	**(66)**	(177)	**1 176**	1 760
Tax	**(30)**	(61)	**(284)**	(504)	**39**	17	**(275)**	(548)
(Loss)/profit after tax	**(27)**	112	**955**	1 260	**(27)**	(160)	**901**	1 212
Non-controlling interest	**(21)**	(38)	**(250)**	(354)	**(18)**	(6)	**(289)**	(398)
Net result from financial services	**(48)**	74	**705**	906	**(45)**	(166)	**612**	814
Project expenses	**(2)**	–	**–**	–	**–**	–	**(2)**	–
Net investment return on shareholders' funds	**(201)**	(101)	**(755)**	(108)	**(148)**	(2)	**(1 104)**	(211)
Amortisation of intangibles	**–**	(5)	**(39)**	(24)	**(15)**	(10)	**(54)**	(39)
Impairments	**(40)**	–	**(318)**	–	**–**	–	**(358)**	–
Foreign currency translation differences	**–**	–	**17**	(76)	**70**	(40)	**87**	(116)
Net other (expenses)/earnings	**(2)**	–	**26**	–	**–**	–	**24**	–
Hyperinflation[3]	**(325)**	–	**1 616**	–	**–**	–	**1 291**	–
Attributable earnings	**(618)**	(32)	**1 252**	698	**(138)**	(218)	**496**	448

[1] *General insurance includes the following lines of business: general insurance, health, property, reinsurance and Elite.*
[2] *Consolidation and other includes the following: central corporate costs, withholding tax incurred by holding companies in the structure, Netis Group.*
[3] *The impact of applying IAS 29 Financial Reporting in Hyperinflationary Economies for LIA (Lebanon) is included in the hyperinflation line.*

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

The group's return on investment-related activities can be analysed as follows:

	31 December 2020 R million	31 December 2019 R million
Investment income	**717**	724
Net (losses)/gains on financial assets and liabilities at fair value through income	**(128)**	91
Income from associates and joint ventures	**48**	43
Investment-related revenue	**637**	858
Expenses for investment-related activities	**(66)**	(70)
Finance costs	**(190)**	(294)
Net total investment-related transactions	**381**	494

For a detailed analysis of investment activities, refer to notes 7 and 9.

6.2 Geographical analysis

	Gross written premium		Non-current assets	
	31 December 2020 R million	31 December 2019 R million	31 December 2020 R million	31 December 2019 R million
South Africa	**33 310**	31 986	**2 111**	2 269
Rest of Africa[1, 2]	**4 169**	3 701	**1 934**	2 414
Southeast Asia, India and Middle East[2]	**3 362**	2 633	**1 321**	1 384
Other	**400**	303	**–**	–
	41 241	38 623	**5 366**	6 067
Reconciling items[2]	**(2 968)**	(2 771)	**–**	–
Group total	**38 273**	35 852	**5 366**	6 067

[1] *Includes gross written premium relating to Namibia of R971 million (2019: R1 044 million).*

[2] *Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted).*

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES)

The group's financial assets and liabilities including insurance receivables and payables are summarised below by measurement category.

	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
Financial assets		
Strategic investment – unquoted SEM target shares	**1 538**	1 474
Financial assets at fair value through income	**29 394**	24 411
	30 932	25 885
Expected to be realised after 12 months[1]	**21 973**	20 094
Expected to be realised within 12 months	**8 959**	5 791

[1] *Including unquoted SEM target share amounting to R1,538m (2019: R1,474m)*

	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
Loans and receivables including insurance receivables	**6 855**	6 237
Receivables arising from insurance and reinsurance contracts	**5 392**	5 118
Loans and receivables excluding insurance receivables	**1 463**	1 119

Loans and receivables including insurance receivables are expected to be realised within 12 months.

	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
Financial liabilities		
Financial liabilities at fair value through income	**5 007**	3 698
Expected to be settled after 12 months	**4 123**	3 590
Expected to be settled within 12 months	**884**	108
Trade and other payables including insurance payables	**5 089**	5 280
Payables arising from insurance and reinsurance contracts	**2 874**	3 044
Trade and other payables excluding insurance payables	**2 215**	2 236

Trade and other payables including insurance payables are expected to be settled within 12 months.

7.1 Financial instruments measured at fair value on a recurring basis

The table on the following page analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2019. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments is determined as follows:
  - Listed equities and similar securities: valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unlisted equities and similar securities: valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - Interest-bearing investments:
    - Quoted interest-bearing investments are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.[1]
    - Unquoted interest-bearing investments are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Structured transactions: valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Investment funds:
    - Quoted investment funds with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
    - Quoted investment funds with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.[1]
  - Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no significant transfers between level 1 and level 2 during the current or prior year. The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

[1] *These investments are classified as level 2 as the markets that they trade on are not considered to be active.*

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.1 Financial instruments measured at fair value on a recurring basis (continued)

Audited at 31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 577	–	–	**2 577**
Unlisted equities and similar securities	–	5	1 609	**1 614**
Interest-bearing investments				
Government interest-bearing investments	–	4 496	–	**4 496**
Corporate interest-bearing investments	–	14 358	60	**14 418**
Mortgages and loans	–	146	–	**146**
Structured transactions				
Structured notes	–	264	–	**264**
Investment funds	–	5 191	–	**5 191**
Cash, deposits and similar securities	–	2 226	–	**2 226**
Financial assets at fair value through income	**2 577**	**26 686**	**1 669**	**30 932**
Debt securities	–	3 089	–	**3 089**
Investment contracts	–	1 838	–	**1 838**
Derivative liabilities	–	–	80	**80**
Financial liabilities at fair value through income	**–**	**4 927**	**80**	**5 007**

Audited at 31 December 2019 (restated)	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 420	–	–	**2 420**
Unlisted equities and similar securities	–	4	1 553	**1 557**
Interest-bearing investments				
Government interest-bearing investments	–	3 019	–	**3 019**
Corporate interest-bearing investments	–	12 029	60	**12 089**
Mortgages and loans	–	165	–	**165**
Structured transactions				
Structured notes	–	365	–	**365**
Derivative assets	–	35	–	**35**
Investment funds	–	4 480	–	**4 480**
Cash, deposits and similar securities	–	1 755	–	**1 755**
Financial assets at fair value through income	**2 420**	**21 852**	**1 613**	**25 885**
Debt securities	–	2 080	–	**2 080**
Investment contracts	–	1 618	–	**1 618**
Financial liabilities at fair value through income	**–**	**3 698**	**–**	**3 698**

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.1 Financial instruments measured at fair value on a recurring basis (continued)

The following table presents the changes in level 3 instruments:

	Equities and similar securities R million	Interest-bearing investments R million	Derivative liabilities R million	Total R million
31 December 2020 (audited)				
Opening balance	1 553	60	–	**1 613**
Acquisitions	30	–	–	**30**
Settlements	–	–	(50)	**(50)**
Gains/(losses) recognised in profit or loss	26	–	(30)	**(4)**
Closing balance	**1 609**	**60**	**(80)**	**1 589**
31 December 2019 (audited)				
Opening balance	1 390	61	–	**1 451**
Acquisitions	18	–	–	**18**
Settlements	(114)	–	–	**(114)**
Gains/(losses) recognised in profit or loss	259	(1)	–	**258**
Closing balance	**1 553**	**60**	**–**	**1 613**

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R26 million gain (December 2019: R259 million gain) recognised on equity securities, a R34 million gain (December 2019: R256 million gain) relates to the SEM target shares, of which R17 million (December 2019: R82 million) relates to foreign exchange gains (December 2019: loss), and R17 million to an increase (December 2019: R338 million increase) in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- The increase in the value of Shriram General Insurance Company (SGI) of R50 million (excluding the impact of exchange rate movements) is mainly attributable due to a more favourable dividend withholding tax regime in India. This was offset to some extent by lower premium growth forecasts in the short term, due to the impact of the COVID-19 pandemic and an economic down-turn on sales volumes.
- Santam's economic participation via the SEM African target share portfolio was amended to reduce the participation percentage from 35% to 10% effective 1 January 2019. As a result Santam received a cash target share distribution of R167 million from SEM on 28 June 2019, comprising a capital distribution of R112 million and an income distribution of R55 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value. On 30 June 2020, Santam subscribed for a further target share in FBNGI at a cost of R30 million. As a result, Santam's participatory interest in FBNGI increased to 10%.

Fair value (excluding SEM target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 2.3 and 8.5. The value of unlisted equity instruments (excluding SEM target shares) is not material.

The fair value of the SEM target shares is determined using predominantly discounted cash flow (DCF) models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant investment relates to the target share which provides a participatory interest in SGI to the value of R1 293 million (2019: R1 226 million). No other individual target share is material. The fair value of the SGI target share is determined through using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. The 10 year DCF model discounts expected cash flows and a perpetual value (after providing for regulatory capital requirements) at an appropriate risk-adjusted discount rate. The most significant unobservable inputs used in this DCF model are the discount rate of 14.3% (2019: 14.3%). A Rand/Indian Rupee exchange rate of 0.201 (2019: 0.197) was used to translate the DCF valuation result in Indian Rupee to Rand. An average net insurance margin over a 10 year period of 23.4% (2019: 22.6%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R234 million (December 2019: R237 million) or increase by R398 million (December 2019: R420 million), respectively. If the relative foreign exchange rate increase or decrease by 10%, the fair value will increase or decrease by R129 million (December 2019: R123 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the fair value will increase or decrease by R109 million (December 2019: R105 million). The remaining target shares are mostly impacted by changes in exchange rates.

Refer to note 7.3 for disclosure relating to the derivative liabilities.

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.2 Debt securities

During April 2016, the company issued unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

During June 2017, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027.

During November 2020, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R500 million floating rate subordinated debt issued in 2016 and to increase the debt to equity ratio to within the target range of 25% to 30%. The effective interest rate for the floating rate notes issued in November 2020 represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.

Per the conditions set by the Prudential Authority, the company is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest.

7.3 Derivatives

At 31 December 2020, the group had exchange traded futures with an exposure value of R1 080 million (Dec 2019: R386 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 31 December 2020 of R46 million (Dec 2019: R69 million) and R46 million (Dec 2019: R69 million) respectively.

On 10 September 2018, the company entered into a foreign currency collar against the US dollar. As at 31 December 2018, the instrument's valuation amounted to R25 million. The collar expired in two equal tranches on 4 January 2019 and 7 January 2019 and realised a total profit of R37 million. On 12 June 2019 the company entered into another foreign currency collar against the US dollar. As at 30 June 2019, the instrument's valuation amounted to R17 million. The collar unwound on 27 December 2019 resulting in a profit of R5 million.

A further foreign currency collar on R500 million worth of US dollar exposure was entered into on 19 August 2019 at a spot rate of 15.25 ZAR and cap of 16.59 ZAR against the US dollar. As at 31 December 2019, the foreign currency collar was valued at R34 million. The collar expired on 19 May 2020 realising a loss of R54 million.

On 6 August 2020, the company entered into a zero cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the current volatile market conditions. The structure offered full downside protection from the implementation level 10 858, with upside participation (excluding dividends) of 0.275%. The structure was rolled on 3 November 2020, realising a profit of R50 million. The structure continues to provide full downside protection from the market level at the date of rolling of 10 307 with upside participation (excluding dividends) of 0.85% and expired on 3 February 2021. Refer to note 16. As at 31 December 2020, the structure's valuation amounted to a loss of R77 million.

The zero cost collar is classified as level 3 on the fair value hierarchy. Since implementation of the collar, all fair value losses have been recognised through the statement of comprehensive income. The significant input in to its valuation is the level of the SWIX40 index. A 10% increase in the index level would result in R107 million loss, and a 10% decrease in the index level would result in a R104 million gain.

7. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

7.4 Reclassification of financial assets

In order to align with the group's holding company, Sanlam Ltd, the classification categories of financial assets at fair value through income were changed and restated. In total, financial assets at fair value through income did not change.

GROUP	As published 31 Dec 2019 R million	Restatement R million	Restated 31 Dec 2019 R million
Financial assets at fair value through income			
Equity securities			
– quoted	2 420	(2 420)	–
Listed equities and similar securities[1]	–	2 420	2 420
– unquoted			
Strategic investment – SEM target shares	1 474	(1 474)	–
Unquoted other	83	(83)	–
Unlisted equities and similar securities[1]	–	1 557	1 557
Total equity securities	**3 977**	**–**	**3 977**
Debt securities/interest-bearing investments			
– quoted			
Government and other bonds	4 276	(4 276)	–
Collateralised securities	315	(315)	–
Money market instruments (long-term instruments)	3 338	(3 338)	–
– unquoted			
Government and other bonds	922	(922)	–
Money market instruments (long-term instruments)	5 517	(5 517)	–
Redeemable preference shares	130	(130)	–
Government interest-bearing investments[1]	–	3 019	3 019
Corporate interest-bearing investments[1]	–	12 089	12 089
Mortgages and loans[1]	–	165	165
Structured notes[1]	–	365	365
Total debt securities/interest-bearing investments	**14 498**	**1 140**	**15 638**
Unitised funds/investment funds			
Unitised investments			
Underlying equity securities	697	(697)	–
Underlying debt securities	3 783	(3 783)	–
Investment funds[1]	–	4 480	4 480
Total unitised funds/investment funds	**4 480**	**–**	**4 480**
Derivatives			
Foreign currency collar	34	–	34
Futures	1	–	1
Total derivatives	**35**	**–**	**35**
Short-term money market instruments	**2 895**	**(2 895)**	**–**
Cash deposits and similar securities[1]	**–**	**1 755**	**1 755**
Financial assets at fair value through income	**25 885**	**–**	**25 885**

[1] *These categories were presented for the first time for the six months ended 30 June 2020.*

The disclosure of equity securities remains largely unchanged. The category of debt securities has been replaced with interest-bearing investments. With the exception of some floating rate notes which were previously included as short-term money market, interest-bearing investments contain largely the same securities that were previously classified as debt securities. In the previous disclosure government and corporate bonds were classified in the same line, whereas in the new disclosure government bonds and other notes are disclosed separately to corporate bonds and other notes. These two types of interest-bearing investments have different risk characteristics. The old category of long-term money market has been reallocated to corporate interest-bearing investments and cash deposits and similar securities as appropriate. Cash deposits and similar securities include negotiable certificates of deposit (NCDs) and fixed deposits held with major banks. These instruments, which are included in the group's investment portfolios and are not used in the day to day cash requirements, would have previously been disclosed as long-term or short-term money market instruments. Floating rate notes previously categorised as long-term or short-term money market instruments are now included in corporate interest-bearing investments. Structured transactions contain investments which were previously disclosed as collateralised securities and derivatives. Investment funds were previously labelled as unitised investments.

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited at 31 December 2020 R million	Audited at 31 December 2019 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**73**	37
– claims incurred but not reported	**48**	45
General insurance contracts		
– claims reported and loss adjustment expenses	**12 286**	9 171
– claims incurred but not reported	**4 004**	3 064
– unearned premiums	**12 460**	10 890
Total gross insurance liabilities	**28 871**	23 207
Expected to be settled after 12 months	**1 974**	2 353
Expected to be settled within 12 months	**26 897**	20 854
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**12**	10
– claims incurred but not reported	**14**	13
General insurance contracts		
– claims reported and loss adjustment expenses	**5 663**	4 297
– claims incurred but not reported	**1 197**	699
– unearned premiums	**2 060**	1 802
Total reinsurers' share of insurance liabilities	**8 946**	6 821
Expected to be recovered after 12 months	**381**	521
Expected to be recovered within 12 months	**8 565**	6 300
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**61**	27
– claims incurred but not reported	**34**	32
General insurance contracts		
– claims reported and loss adjustment expenses	**6 623**	4 874
– claims incurred but not reported	**2 807**	2 365
– unearned premiums	**10 400**	9 088
Total net insurance liabilities	**19 925**	16 386

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

Insurance liability estimates

Estimation methodologies and reserving processes remained consistent and are discussed in note 3 of the group's annual financial statements for the year ended 31 December 2020. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible. Current year claims exhibit different characteristics to those normally observed. Open claims from prior periods before the pandemic are also impacted by changing circumstances during the claim settlement period. Assumptions have been made in key areas in order to estimate the ultimate cost of claims, such as:

- frequency, based on different levels of reported claim counts observed;
- severity, based on different average claims costs observed;
- direct COVID-19 ultimate claims costs, including the outcome of legal proceedings.

The heightened level of uncertainty around the estimates of ultimate claim costs will persist for some time.

Details of the group accounting policies in respect of insurance contract liabilities can be found in note 4 of the group's annual financial statements for the year ended 31 December 2020.

At 30 June 2020, the group had raised a technical provision of R1 290 million as the best estimate of its exposure relating to policies with CBI extensions. The best estimate was subject to significant uncertainty, which at that time included the uncertainty with regard to the findings of the courts in relation to Santam's Ma-Afrika case.

For the year ended 31 December 2020, the company has raised a net technical provision of R2 billion as the best estimate, taking into account the outcome of the Ma-Afrika case, the Supreme Court of Appeal judgment on Guardrisk's Café Chameleon case as well as other findings locally and internationally in relation to CBI cover. The group has recognised a provision in relation to all qualifying policies.

Judgment is applied in the determination of the best estimate of the insurance liability and reinsurance asset associated with the group's exposure to CBI claims. There remains, however, significant uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgment applied includes:

INSURANCE LIABILITIES

- The likelihood of successfully appealing the Western Cape High Court ruling on the length of the indemnity period applicable to certain policies written by the H&L division.

  In its judgment handed down on 17 November 2020, the Western Cape High Court determined that the indemnity period that is stated in the Business Interruption Section of the policy schedule (18 months for the Ma-Afrika policy) rather than the indemnity period in relation to business interruption extensions (3 months). The group has obtained external legal advice on this matter, and, based on that advice, believes that there is a reasonable prospect of success in relation to the appeal; and

- The assumptions used to determine the gross exposure at a policy level (including the determination of lost profits as a result of the business interruption, and any cost savings experienced).

REINSURANCE ASSETS

- The impact of judgments applied in the measurement of the insurance liability above, which impacts the total value of claims potentially ceded to the reinsurer, as well as the determination of timing for aggregation purposes; and

- The proportion of CBI claims which aggregate as a single loss occurrence under the company's catastrophe reinsurance treaty.

The group's best estimate of the insurance liability and reinsurance asset at 31 December 2020 is R5.3 billion and R3.3 billion respectively.

There are a number of interdependent judgements applied in the measurement of the insurance liability and reinsurance asset in relation to this exposure, and therefore when assessing the potential impact on the group, consideration should be applied to the ultimate net impact.

A sensitivity analysis on the net CBI provision of R2 billion has been performed by assuming a 10% positive and negative combined impact on the assumptions used to derive the provision. A 10% positive movement in the combined assumptions used would result in a decrease in the net provision of 30%. A 10% negative movement in the assumptions used would result in an increase in the net provision of 31%.

Leave to appeal the Ma-Afrika judgment in relation to the indemnity period was granted on 16 February 2021. Management is in the process of engaging with the participants on the reinsurance programme. The level of gross exposure at the policy level will be finalised as detailed information becomes available from policyholders' assessed claims.

9. INVESTMENT INCOME AND NET GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES

	Audited Year ended 31 December 2020 R million	Audited Year ended 31 December 2019 R million
Investment income	**2 018**	2 054
Interest income derived from	**1 620**	1 766
Financial assets measured at amortised cost	**185**	186
Financial assets mandatorily measured at fair value through income	**1 435**	1 580
Other investment income/(losses)	**398**	288
Dividend income	**316**	291
Foreign exchange differences	**82**	(3)
Net (losses)/gains on financial assets and liabilities at fair value through income	**(273)**	321
Net fair value (losses)/gains on financial assets mandatorily at fair value through income	**(209)**	468
Net realised (losses)/gains on financial assets excluding derivative instruments	**(66)**	58
Net fair value (losses)/gains on financial assets excluding derivative instruments	**(27)**	358
Net realised/fair value (losses)/gains on derivative instruments	**(116)**	52
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	**(64)**	(147)
Net fair value losses on debt securities	**(8)**	(8)
Net realised losses on investment contracts	**(56)**	(139)
	1 745	2 375

10. INCOME TAX

	2020	2019
Normal taxation		
Current year	**759**	1 043
Prior year	**(8)**	20
Other taxes	**1**	2
Foreign taxation – current year	**17**	74
Total income taxation for the year	**769**	1 139
Deferred taxation		
Current year	**31**	25
Prior year	**–**	(10)
Total deferred taxation for the year	**31**	15
Total taxation as per statement of comprehensive income	**800**	1 154
Income tax recovered from cell owners and structured insurance products	**(429)**	(280)
Total tax expense attributable to shareholders	**371**	874
Profit before taxation per statement of comprehensive income	**1 446**	3 475
Adjustment for income tax recovered from cell owners and structured insurance products	**(429)**	(280)
Total profit before tax attributable to shareholders	**1 017**	3 195
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**28.0**	28.0
Adjusted for:		
Disallowable expenses	**0.6**	0.4
Foreign tax differential	**0.5**	0.1
Exempt income	**(7.9)**	(2.1)
Investment results	**(0.7)**	–
Income from associates and joint ventures	**16.9**	0.4
Previous year's (overprovision)/underprovision	**(0.6)**	0.4
Other permanent differences	**(0.4)**	0.2
Other taxes	**0.1**	–
Net increase/(reduction)	**8.5**	(0.6)
Effective rate attributable to shareholders (%)	**36.5**	27.4

11. CORPORATE TRANSACTIONS

For the year ended 31 December 2020

ACQUISITIONS

JaSure Financial Services (Pty) Ltd

On 1 January 2020, the group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	**(1)**
Trade and other payables	**(5)**
Net asset value acquired	**(6)**
Non-controlling interest	**3**
Goodwill	**9**
Purchase consideration paid	**6**

Echelon Underwriting Managers (Pty) Ltd

The group purchased the 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

Insure Group Managers Finance (Pty) Ltd

On 1 July 2020, the group acquired a shareholding of 100% in Insure Group Managers Finance (Pty) Ltd for R250,000 in cash.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	**1**
Loans and receivables	**42**
Cash and cash equivalents	**2**
Trade and other payables	**(45)**
Net asset value acquired/Purchase consideration paid	**–**

11. CORPORATE TRANSACTIONS (continued)

For the year ended 31 December 2019

ACQUISITIONS

Vantage Insurance Acceptances (Pty) Ltd

On 1 March 2019, the group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R31.3 million in cash, including contingent payments estimated at R6 million. Goodwill raised relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	9
Loans and receivables including insurance receivables	3
Cash and cash equivalents	4
Deferred income tax	(2)
Trade and other payables including insurance payables	(5)
Net asset value acquired	9
Goodwill	22
Future contingent consideration payable	(6)
Purchase consideration paid	25

X'S Sure (Pty) Ltd

On 1 March 2019, the group acquired a shareholding of 100% in X'S Sure (Pty) Ltd for R36 million, including contingent payments estimated at R6 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	18
Financial assets at fair value through income	14
Loans and receivables including insurance receivables	3
Cash and cash equivalents	3
Deferred income tax	(8)
Insurance liabilities	(2)
Trade and other payables including insurance payables	(5)
Current tax liability	(1)
Net asset value acquired	22
Goodwill	14
Future contingent consideration payable	(6)
Purchase consideration paid	30

SAN JV (RF) (Pty) Ltd

During May 2019, as well as November 2019, pro rata funding took place in terms of which the company injected a further total of R158 million into SAN JV (RF) (Pty) Ltd.

12. EARNINGS PER SHARE

	Audited Year ended 31 December 2020	Audited Year ended 31 December 2019
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**542**	2 199
Weighted average number of ordinary shares in issue (million)	**110.30**	110.48
Earnings per share (cents)	**491**	1 990
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**542**	2 199
Weighted average number of ordinary shares in issue (million)	**110.30**	110.48
Adjusted for share options	**0.61**	0.70
Weighted average number of ordinary shares for diluted earnings per share (million)	**110.91**	111.18
Diluted basic earnings per share (cents)	**489**	1 978
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**542**	2 199
Adjusted for:		
Impairment of goodwill and other intangible assets	**–**	3
Impairment of associates and joint ventures	**15**	4
Share of associates' impairment of assets	**692**	80
Tax charge on share of associates' impairment of assets	**(36)**	–
Headline earnings (R million)	**1 213**	2 286
Weighted average number of ordinary shares in issue (million)	**110.30**	110.48
Headline earnings per share (cents)	**1 100**	2 069
Diluted headline earnings per share		
Headline earnings (R million)	**1 213**	2 286
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**110.91**	111.18
Diluted headline earnings per share (cents)	**1 094**	2 056

13. DIVIDEND PER SHARE

Dividend per share (cents)	**–**	1 110

14. IMPAIRMENT TESTS

14.1 Goodwill

In accordance with the group's accounting policy, the group tests annually whether goodwill has suffered any impairment.

Each cash generating unit (CGU) was critically examined with reference to the following key metrics to determine if any impairment exists:

- Forecasted growth in gross written premium for 2021 taking the impact of COVID-19 in to account.
- Forecasted profitability based on net underwriting result and profit after tax, taking the impact of COVID-19 in to account.

The result of this assessment was that goodwill relating to the Accident and Health business required a formal impairment test due to its exposure to COVID-19. A total of R76 million in goodwill is recognised on the Accident and Health business, out of a total R685 million goodwill recognised by the group.

When testing for impairment, the recoverable amount of the CGU, based on value in use, was determined using discounted cash flow projections. The input into the fair value measurement is classified as level 3 in terms of the fair value hierarchy. The cash flow projections are based on budgets approved by management. The impairment test is applied using the following internal processes:

- Comparing original budgets to updated forecasts and aligning projected cash flows when deemed necessary
- Current changes in operations are assessed to determine whether it will have an impact on the valuation
- The discount rates applied in the cash flow projections are reassessed

The salient features of the impairment test were as follows:

- A discount rate of 24% was applied, taking into account uncertainty resulting from COVID-19.
- A capital requirement of 25% of net earned premium.
- Forecasted income statements including a reduction in gross written premium and underwriting losses due to COVID-19.
- A terminal growth rate of 5%.

No impairment was deemed necessary from the testing.

The nature of goodwill mainly relates to employee skill and industry knowledge.

14. IMPAIRMENT TESTS (continued)

14.2 Associates – Impairment of goodwill and value of business acquired and other assets

The recoverable amount of goodwill and other intangible assets for impairment testing purposes has been determined based on the value in use of the businesses. For life businesses this is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For general insurance businesses the value in use was determined on a discounted cash flow valuation basis. These are considered to be the appropriate measure of value in use.

The embedded value (plus a value of new life insurance business multiple) for life businesses or fair value of general insurance businesses therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required.

Saham (100%)

The carrying value of Saham comprise of net asset value (NAV), other intangible assets and goodwill. The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value.

Changes to Saham's NAV impact the carrying value directly. Some valuation impacts will correspond to changes in the NAV. Other valuation impacts, such as assumption changes that affect longer-term cash flows, affect the carrying value through other intangible assets and goodwill.

Saham's value in use reduced from R25 billion at 31 December 2019 to R22 billion at 30 June 2020, mainly due to the impact of COVID-19 and the increased sovereign risk in Lebanon, partially offset by the impact of a weaker Rand. At the time of the 30 June 2020 valuation, the ultimate impact of COVID-19 on the economic environment and ultimately our operations across the Saham portfolio were very uncertain. The assumed cashflows represented our best estimate of the recovery path at the time but assuming risk discount rates that reflected the high level of uncertainty. The end-result implied an impairment of the carrying value of the Saham investment at 30 June 2020. The largest drivers of the valuation was attributable to the general insurance businesses, contributing 87% of the total value with the life businesses contributing the remaining 13%.

The valuation was updated as at 31 December 2020 to reflect our better understanding of the short-term recovery expected. On average, the risk discount rates reduced to reflect our higher level of comfort with the assumed cashflows. We do, however, remain conscious of the impact that future waves of COVID-19, the emergence of new variants of the virus and local lockdowns may have on our operations. The level of uncertainty therefore remains high and the risk discount rates continue to reflect this. The relative contribution of the general insurance businesses remained the same as at 30 June 2020.

The result of the valuation impact was a further decrease of the value to R20 billion at December 2020. This is mainly the result of exchange rates. Most notably within the portfolio was weaker Angola Kwanza since June 2020. In addition to this, the Rand has also strengthened significantly against the most significant exchange rates in the portfolio (namely the US Dollar, the West African Franc and the Moroccan Dirham) and this reduced the value in Rand. However, the valuation at 31 December 2020 supported the carrying value.

Most of the premium paid for synergies as part of the Saham acquisition has been written off to R422 million at 31 December 2020. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the Saham footprint as a result of COVID-19.

The following key assumptions were adjusted:

General insurance businesses

- Economic assumptions were revised downwards in the current uncertain environment, in respect of both economic growth forecasts and future investment returns. This resulted in lower assumed growth on the assets held backing the claims liabilities which affects the valuations of the general insurance operations;
- Top-line growth was reduced across the board for general insurance operations, through lower assumed premium growth assumed in the valuation models for the general insurance operations; and
- The valuation of the general insurance operations in Lebanon is maintained at zero, as a meaningful economic recovery is not expected in the foreseeable future.

Life insurance businesses

- The valuation of the life insurance business in Lebanon is maintained at zero, in line with the general insurance operations. The other Saham life operations resulted in no significant impairments; and
- New business inflow assumptions for the other life businesses were revised downwards due to lower economic growth forecasts.

14. IMPAIRMENT TESTS (continued)

14.2 Associates – Impairment of goodwill and value of business acquired and other assets (continued)

Key assumptions

Key assumptions in determining the value in use for cash generating units (excludes Lebanon):

	General insurance			Life		
	31 December 2020	**30 June 2020**	31 December 2019	**31 December 2020**	**30 June 2020**	31 December 2019
Weighted average local discount rate[1,3]	**11.0%**	**11.3%**	11.7%	**11.6%**	**11.6%**	13.5%
Weighted average perpetuity growth rate	**5.7%**	**5.9%**	5.7%	**4.9%**	**4.6%**	5.8%
VNB Multiples	**n/a**	**n/a**	n/a	**10.0 - 16.3**	**10.0 - 16.3**	15.9 - 24.0
Revenue: compounded annual growth rate (range of values over the 10 years)	**6.3% - 8.9%**	**5.7% - 11.5%**	6.2% - 9.9%	**n/a**	**n/a**	n/a
Net insurance result margin[2]	**11.0% - 17.0%**	**11.0% - 18.0%**	10.0% - 19.0%	**n/a**	**n/a**	n/a

[1] *It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the Rand is expected to increase this return over time.*

[2] *Expressed as a percentage of net earned premiums.*

[3] *Weighted average local discount rate for 30 June 2020 has been aligned with current year methodology.*

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and general insurance cash flows are projected over 10 years. The year 10 cash flow is expected to be at a stable level and sustainable into perpetuity. This is projected into perpetuity and discounted accordingly.

Management has determined the values assigned to each of the key assumptions above as follows:

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and Gross Domestic Product (GDP) growth rates of each country.
Revenue annual growth rates	This is a function of expected long-term inflation and GDP growth rates of each country, including industry growth rates and management's expectations for the future.

The gross impairment of goodwill and other intangible assets amounts to R6.9 billion (R6.6 billion net of tax).

The impairment comprises of the following on a 100% view:

- Write-down of goodwill in respect of the premium paid at acquisition for synergies of R2 822 million.
- Reducing the valuation of the Lebanon businesses to zero (which is still regarded as a going concern), resulting in impairments of goodwill of R815 million, other intangible assets of R816 million (net of tax) and other net assets of R100 million.
- Write-down of goodwill as a result of the COVID-19 impact on future economic growth and investment return assumptions amounts to R2 007 million.

An impairment assessment was conducted as at 30 June 2020 which resulted in the recognition of impairment. A reassessment was conducted as at 31 December 2020. As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the current year amounted to R6 560 million. Impairment to the carrying value of goodwill recognised as at 30 June 2020 is not reversed.

14. IMPAIRMENT TESTS (continued)

14.2 Associates – Impairment of goodwill and value of business acquired and other assets (continued)

Key assumptions (continued)

	General insurance R million	Life R million	Lebanon R million	Total R million
31 December 2020				
Value in use	17 950	2 390	–	20 340
Carrying value after impairment	17 646	2 496	–	20 142
Impairment recognised during the current year	(4 327)	(502)	(1 731)	(6 560)

Goodwill, included in the 30 June 2020 carrying values above pre-impairment, are allocated to the CGUs as follows: R13.4 billion (General insurance), R2.2 billion (Life) and R816 million (Lebanon) respectively. Remaining goodwill after impairments amounts to R9.0 billion (General insurance) and R1.7 billion (Life) respectively.

General insurance businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding of Santam.

	Value R million	% change
Base value[1]	1 795	
Risk Discount Rate +1 %	1 605	(10.6%)
Risk Discount Rate -1 %	2 074	15.5%
Perpetuity growth rate +1%	1 929	7.4%
Rand exchange rate depreciation +10%	1 975	10.0%

[1] *This value includes notional dividends.*

Life businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding. The total value in use of the businesses comprises the embedded value of R232 million and the value of new business of R103 million of which the sensitivities are provided below:

1. Embedded value sensitivity analysis

	Embedded value R million	% change
Base value	232	
Risk discount rate increase by 1%	224	(3.5%)

2. Value of new business sensitivity analysis

	Present value of future new business	% change
Base value	103	
Risk discount rate increase by 1%	88	(14.6%)

15. RELATED PARTIES

During 2020, there have been no related party transactions that require disclosure to gain an understanding of the changes in the financial position or results since the last annual period. There have also been no changes in the nature of the related party transactions as disclosed in notes 10, 12 and 27 of the group's annual financial statements for the year ended 31 December 2020.

16. EVENTS AFTER THE REPORTING PERIOD

The equity collar over equities to the value of R1 billion to provide capital protection entered into by the group on 3 November 2020 matured on 3 February 2021. The final loss on the contract was R142 million (R77 million of the loss was recognised at 31 December 2020). On 3 February 2021, the group rolled the collar structure. The structure offers almost full downside protection from the implementation level 11 857 and expires on 3 May 2021. The equity collar reduces balance sheet volatility in a time of underwriting performance uncertainty because of CBI claims.

On 22 February 2021, Santam's application for leave to appeal the length of the indemnity period in the Ma-Afrika judgment was granted by the Western Cape High Court.

On 24 February 2021, the Minister of Finance announced that the South African corporate tax rate will decrease from 28% to 27% effective on 1 April 2022. The group does not expect this change to have a material impact on the statement of financial position as at 31 December 2020.

There have been no other material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

This note provides information on cellholder/policyholder versus shareholder statement of financial position and statement of comprehensive income. Cellholder/policyholder activities relates mainly to alternative risk transfer insurance business written on the insurance licences of Centriq and SSI.

17.1 Analysis of policyholder/shareholder statement of financial position

	Group Audited at 31 December 2020 R million	Shareholder Audited at 31 December 2020 R million	Policyholder/ cellholder Audited at 31 December 2020 R million
ASSETS			
Intangible assets	968	968	–
Property and equipment	760	760	–
Investment in associates and joint ventures	2 205	2 205	–
Strategic investment – unquoted SEM target shares	1 538	1 538	–
Deferred income tax	102	117	(15)
Deposit with cell owner	161	–	161
Cell owners' and policyholders' interest	14	–	14
Financial assets at fair value through income	29 394	16 431	12 963
Reinsurance assets	8 946	7 988	958
Deferred acquisition costs	839	739	100
Loans and receivables including insurance receivables	6 855	4 312	2 543
Current income tax assets	15	15	–
Cash and cash equivalents	4 383	3 309	1 074
Total assets	56 180	38 382	17 798
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(527)	(527)	–
Other reserves	(196)	(196)	–
Distributable reserves	9 976	9 976	–
	9 356	9 356	–
Non-controlling interest	736	570	166
Total equity	10 092	9 926	166
LIABILITIES			
Deferred income tax	104	110	(6)
Cell owners' and policyholders' interest	4 238	–	4 238
Reinsurance liability relating to cell owners	161	–	161
Financial liabilities at fair value through income			
Debt securities	3 089	3 089	–
Investment contracts	1 838	–	1 838
Derivatives	80	80	–
Lease liabilities	782	782	–
Financial liabilities at amortised cost			
Repo liability	867	–	867
Collateral guarantee contracts	128	–	128
Insurance liabilities	28 871	19 584	9 287
Deferred reinsurance acquisition revenue	517	441	76
Provisions for other liabilities and charges	153	153	–
Trade and other payables including insurance payables	5 089	4 012	1 077
Current income tax liabilities	171	205	(34)
Total liabilities	46 088	28 456	17 632
Total shareholders' equity and liabilities	56 180	38 382	17 798

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

17.1 Analysis of policyholder/shareholder statement of financial position (continued)

	Group Audited at 31 December 2019 R million	Shareholder Audited at 31 December 2019 R million	Policyholder/ cell owner Audited at 31 December 2019 R million
ASSETS			
Intangible assets	948	948	–
Property and equipment	984	984	–
Investment in associates and joint ventures	2 661	2 661	–
Strategic investment – unquoted SEM target shares	1 474	1 474	–
Deferred income tax	107	95	12
Deposit with cell owner	180	–	180
Cell owners' and policyholders' interest	26	–	26
Financial assets at fair value through income	24 411	13 116	11 295
Reinsurance assets	6 821	6 125	696
Deferred acquisition costs	727	649	78
Loans and receivables including insurance receivables	6 237	3 970	2 267
Current income tax assets	16	15	1
Cash and cash equivalents	4 642	3 345	1 297
Total assets	49 234	33 382	15 852
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(482)	(482)	–
Other reserves	(405)	(405)	–
Distributable reserves	10 326	10 326	–
	9 542	9 542	–
Non-controlling interest	521	521	–
Total equity	10 063	10 063	–
LIABILITIES			
Deferred income tax	78	80	(2)
Cell owners' and policyholders' interest	3 964	–	3 964
Reinsurance liability relating to cell owners	180	–	180
Financial liabilities at fair value through income			
Debt securities	2 080	2 080	–
Investment contracts	1 618	–	1 618
Lease liabilities	978	978	–
Financial liabilities at amortised cost			
Repo liability	785	–	785
Collateral guarantee contracts	120	–	120
Insurance liabilities	23 207	15 080	8 127
Deferred reinsurance acquisition revenue	489	419	70
Provisions for other liabilities and charges	123	123	–
Trade and other payables including insurance payables	5 280	4 298	982
Current income tax liabilities	269	261	8
Total liabilities	39 171	23 319	15 852
Total shareholders' equity and liabilities	49 234	33 382	15 852

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

17.2 Analysis of policyholder/shareholder statement of comprehensive income

	Group Audited Year ended 31 December 2020 R million	Shareholder Audited Year ended 31 December 2020 R million	Policyholder/ cellholder Audited Year ended 31 December 2020 R million
Gross written premium	38 273	31 377	6 896
Less: reinsurance written premium	12 756	6 604	6 152
Net written premium	25 517	24 773	744
Less: change in unearned premium			
Gross amount	1 549	460	1 089
Reinsurers' share	(693)	(208)	(485)
Net insurance premium revenue	24 661	24 521	140
Interest income on amortised cost instruments	185	185	–
Interest income on fair value through income instruments	1 435	845	590
Other investment income	398	330	68
Income from reinsurance contracts ceded	2 089	1 619	470
Net losses on financial assets and liabilities at fair value through income	(273)	(81)	(192)
Other income	347	347	–
Net income	28 842	27 766	1 076
Insurance claims and loss adjustment expenses	25 205	22 308	2 897
Insurance claims and loss adjustment expenses recovered from reinsurers	(8 435)	(5 636)	(2 799)
Net insurance benefits and claims	16 770	16 672	98
Expenses for the acquisition of insurance contracts	5 124	4 642	482
Expenses for marketing and administration	4 449	4 415	34
Expenses for investment-related activities	66	66	–
Amortisation and impairment of intangible assets	70	70	–
Investment return allocated to cell owners and structured insurance products	418	–	418
Expenses	26 897	25 865	1 032
Results of operating activities	1 945	1 901	44
Finance costs	(318)	(274)	(44)
Net losses from associates and joint ventures	(595)	(595)	–
Impairment of associates and joint ventures	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 446	1 017	429
Income tax expense	(800)	(371)	(429)
Profit for the year	646	646	–

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

17.2 Analysis of policyholder/shareholder statement of comprehensive income (continued)

	Group Audited Year ended 31 December 2019 R million	Shareholder Audited Year ended 31 December 2019 R million	Policyholder/ cellholder Audited Year ended 31 December 2019 R million
Gross written premium	35 852	30 049	5 803
Less: reinsurance written premium	10 720	5 923	4 797
Net written premium	25 132	24 126	1 006
Less: change in unearned premium			
Gross amount	1 494	411	1 083
Reinsurers' share	(588)	(128)	(460)
Net insurance premium revenue	24 226	23 843	383
Interest income on amortised cost instruments	186	186	–
Interest income on fair value through income instruments	1 580	916	664
Other investment income	288	243	45
Income from reinsurance contracts ceded	1 995	1 554	441
Net gains/(losses) on financial assets and liabilities at fair value through income	321	356	(35)
Other income	271	271	–
Net income	28 867	27 369	1 498
Insurance claims and loss adjustment expenses	19 894	17 585	2 309
Insurance claims and loss adjustment expenses recovered from reinsurers	(4 813)	(2 833)	(1 980)
Net insurance benefits and claims	15 081	14 752	329
Expenses for the acquisition of insurance contracts	4 878	4 409	469
Expenses for marketing and administration	4 536	4 510	26
Expenses for investment-related activities	70	70	–
Amortisation and impairment of intangible assets	79	79	–
Investment return allocated to cell owners and structured insurance products	614	–	614
Expenses	25 258	23 820	1 438
Results of operating activities	3 609	3 549	60
Finance costs	(368)	(308)	(60)
Net losses from associates and joint ventures	(42)	(42)	–
Impairment of associates and joint ventures	(4)	(4)	–
Income tax recovered from cell owners and structured insurance products	280	–	280
Profit before tax	3 475	3 195	280
Income tax expense	(1 154)	(874)	(280)
Profit for the year	2 321	2 321	–

ADMINISTRATION

NON-EXECUTIVE DIRECTORS
B Campbell, MP Fandeso, PB Hanratty, VP Khanyile (chairman)
MLD Marole, AM Mukhuba, JJ Ngulube, MJ Reyneke, PE Speckmann

EXECUTIVE DIRECTORS
L Lambrechts (chief executive officer),
HD Nel (chief financial officer)

COMPANY SECRETARY
M Allie

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Registration number 1918/001680/06
ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM
A2X share code: SNT
Debt company code: BISAN

SPONSORS
Equity sponsor: Investec Bank Ltd
Debt sponsor: Rand Merchant Bank (A division of FirstRand Bank Limited)

Santam is an authorised financial services provider (licence number 3416).

GREYMATTERFINCH # 14931

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